

CITY OF DURHAM

To: Thomas J. Bonfield, City Manager

From: Wanda S. Page, Deputy City Manager

Date: November 25, 2013

Re: Post-Employment Benefits - Retiree Medicare Supplement Benefit Update

The City of Durham offers certain covered retirees a Medicare Supplement Benefit as a result of a program approved in 1994 by City leaders at that time. The program was discontinued for all employees hired by the City of Durham after June 30, 2008 with the implementation of the City's Retirement Health Savings Plan (RHS). Changes to the post - employment benefit programs were prompted by new accounting rules for Other Post - Employment Benefits (OPEB), effective for the fiscal year beginning July 1, 2007. These rules required the City to acknowledge health care and life insurance benefits that will be provided to current and future retirees in a manner similar to a pension obligation. Implementation of the RHS plan for employees hired by the City after June 30, 2008 significantly limited the City's current and future liability for post-employment benefits including the Medicare Supplement Benefit. The net long term OPEB Liability recorded in the City's June 30, 2013 audited Financial Statements is approximately \$33 million across all funds.

The Medicare Supplement Benefit Program is a reimbursement program and currently covers 285 retired employees over the age of 65. The City's cost for the past six years for this program is as follows:

Year	Amount
2013	\$329,739
2012	\$304,753
2011	\$277,536
2010	\$260,099
2009	\$245,671
2008	\$244,895

Funding for this benefit has been approved by City Council in conjunction with the annual budget process.

Based on records in the City Human Resources and Finance Departments, the Medicare Supplement Benefit Program was implemented in 1994 for employees who were retired at the time and also participating in the City's pre-65 retiree health plan, and for employees who would retire on and after January 1, 1993. The program eligibility, reimbursement allowance, and reimbursement guidelines have remained materially unchanged since its inception. The maximum monthly reimbursement amounts have remained the same throughout the 20 years of the program.

The proposed Medicare Supplement Guidelines document is attached to this memo.

The proposed eligibility section from the guidelines is as follows:

- Must be retired or a retiring employee or a City Council Member of the City of Durham
- Must have been employed at least 10 calendar years of regular, full-time service with the City of Durham (or be a City Council member for at least 10 consecutive years)
- Must be receiving a monthly benefit from the NC Local Governmental Employees' Retirement System (except a City Council member)
- Must be at least 65 years of age
- Must complete and submit an application within 6 months of reaching age 65
- Must have been hired or elected before July 1, 2008
- No spouse or other dependents are eligible for this program

The Administration requests the City Council review the program guidelines and reaffirm that eligibility requirements contained in this memo and attachments are consistent with the intent of the program. Subsequent to receiving this affirmation or additional direction, the administration will ensure that eligible individuals are receiving the benefit.

Recommendation:

That City Council confirms its approval of the City's Medicare Supplement Guidelines

Attachment: Medicare Supplement Guidelines